

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08

CEA-02 PA-03 PRS-01 USIA-15 DRC-01 /143 W

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 0063

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PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, KS

SUBJECT: ROK VIEWS ON MONETARY REFORM

1. IN DISCUSSION WITH REGIONAL TREASURY REPRESENTATIVE,
MOF OFFICIALS STRESS THAT NEED FOR QUICK RESOLUTION OF
CURRENT B/P DISEQUILIBRIUM BETWEEN MAJOR COUNTRIES, AGREEMENT
ON MONETARY REFORM AND RETURN TO MORE STABLE WORLD MONETARY
SYSTEM WOULD BE THEME OF MINISTER'S SPEECH AT NAIROBI.
THEIR VIEW ON SEVERAL SPECIFIC ISSUES NOW UNDER DISCUSSION
IN C-20 DERIVED FROM THIS OUTLOOK. THEY APPEARED WELL
PREPARED WITH POSITIONS WHICH TOOK INTO ACCOUNT JULY
MINISTERIAL MEETING. THEY HAD ALSO BEEN IN TOUCH BY
TELEPHONE WITH THE REPRESENTATIVE IN PARIS DEPUTY'S MEETING
WHO CONVEYED IMPRESSION THAT NO PROGRESS MADE THERE.

2. VIEWS ON SPECIFIC ISSUES WERE AS FOLLOWS:
A. RESERVE INDICATOR
DID NOT BELIEVE IT VERY USEFUL PARTLY BECAUSE OF DEFINITIONAL
DIFFICULTY AND WERE UNDER STRONG IMPRESSION THAT U.S. WAS
PREPARED TO COMPROMISE;

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B. MORE FLEXIBLE EXCHANGE RATES - SEE NO SPECIAL

PROBLEM FOR ROK TRADE, BORROWING OR RESERVE MANAGEMENT;

C. MANDATORY SETTLEMENT - STRONGLY IN FAVOR TO PREVENT
REPETITION OF U.S. DELAY IN DEVALUING WHICH THEY BELIEVE
IS CAUSE OF PRESENT CRISIS;

D. STRONGER IMF - IN FAVOR BECAUSE BELIEVE IT WOULD
CONTRIBUTE TO GREATER STABILITY; APPEARED CONFIDENT THAT
ROK COULD HANDLE ANY DIFFERENCES WITH FUND.

E. SDR-AID LINK - IN FAVOR OF DCS GIVING PORTION OF
THEIR ALLOCATION TO LOCS BUT AGAINST ANY DISCRIMINATION
IN FAVOR LEAST DEVELOPED.

3. COMMENT: KOREA'S OUTSTANDING GROWTH AND EXPORT PERFORMANCE,
COMBINED WITH A CONTINUING FAVORABLE OUTLOOK AND STRUCTURE OF
ITS EXPORTS (ALMOST 90 PERCENT MANUFACTURES) SEEMS TO BE MOVING
IT GRADUALLY IN DIRECTION OF CONSERVATIVE DC, SUCH AS JAPAN
AND SOME COMMON MARKET COUNTRIES. FOR MOMENT, IT REMAINS
PSYCHOLOGICALLY AN LDC AND WISHES TO USE THIS STATUS TO
OBTAIN CAPITAL ON CONCESSIONAL TERMS.
HABIB

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